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NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Forty-Third Annual General Meeting of the Company will be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 23 May 2006 at 10.00 a.m. for the purpose of transacting the following business:

AGENDA

AS ORDINARY BUSINESS

Ordinary Resolution 1

- 1 To receive the Audited Financial Statements for the financial year ended 31 December 2005, together with the Reports of the Directors and Auditors thereon.

Ordinary Resolution 2

- 2 To approve the payment of a final dividend of gross 6.25 sen per share, less income tax, and a tax exempt dividend of 3.75 sen per share, in respect of the financial year ended 31 December 2005.

Ordinary Resolution 3

- 3 To approve the increase in Directors' fees for the financial year ended 31 December 2005.

Ordinary Resolution 4

- 4 To consider and if thought fit, pass the following resolution to re-appoint Tan Sri Kamarul Ariffin bin Mohd. Yassin as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965:-

"THAT, pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Kamarul Ariffin bin Mohd. Yassin be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

Ordinary Resolution 5 & 6

- 5 To re-elect the following Directors, who retire by rotation pursuant to Article 94(a) of the Company's Articles of Association:-

- (i) Dato' Dr. Mhd. Nordin bin Mohd. Nor
- (ii) Mr. Foo Swee Leng

Ordinary Resolution 7

- 6 To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto has been received by the Company for the nomination of Messrs Deloitte & Touche (AF: 0834), who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution :-

"That Messrs Deloitte & Touche (AF: 0834) be and is hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next Annual General Meeting and that the directors be authorized to determine their remuneration."

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following ordinary resolution:

Ordinary Resolution 8

- 7 PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.4 with the specified classes of Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 28 April 2006 which are necessary for the Company's day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Annual Report for the said financial year;

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Malaysian Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

Special Resolution 1

8 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

"THAT the Company's Articles of Association be amended as follows:

- (i) Amendment to the meanings of the following words as contained in Article 2(a)

Article 2(a)

Words

"Central
Depository"

Meanings

Bursa Malaysia Depository
Sdn Bhd
(Company No. 165570-W)

"Exchange"

Bursa Malaysia Securities
Berhad and includes any
other stock exchange upon
which the Company's
shares may for the time
being be listed.

"Listing
Requirements"

unless the context
otherwise requires of
the Exchange including
any amendments or
modifications thereto that
may be made from time
to time.

- (ii) Amendment to Article 139 as follows :-

A copy of the audited accounts and such other statement(s) as may be required by the Act which are to be laid before a general meeting of the Company (including every document required by the Act and/or the Listing Requirements to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report, in printed form or in CD-ROM form or in such other form of electronic media, shall not more than 4 months after the close of the financial year be sent to the Exchange and not less than 21 days before the date of the meeting, be sent to every Member of, and every holder of debentures (if any) of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles provided that these Articles shall not require a copy of these documents to be sent to any person whose name or address is not listed in the Record of Depositors but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Member's request.

- 9 To transact any other business for which due notice shall have been given.

Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that a final dividend of gross 6.25 sen per share, less income tax, and 3.75 sen per share, tax exempt, in respect of the financial year ended 31 December 2005, if approved by the shareholders, will be paid on 21 June 2006 to shareholders whose names appear in the Register of Members and Record of Depositors at the close of business on 30 May 2006.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 30 May 2006 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

HUANG SHI CHIN (MIA 3891)	Petaling Jaya
Company Secretary	28 April 2006

Notes:

A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

Save for an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member shall be entitled to appoint not more than two proxies to attend and vote at the same meeting provided that where a Member appoints two proxies, the appointment shall not be valid unless such Member specifies the proportion of his holdings to be represented by each proxy.

The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointor is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.

To be valid, the instrument appointing a proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of authority) must be

deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Notes on Special Business:

Ordinary Resolution 8

Please refer to Circular to Shareholders dated 28 April 2006.

Special Resolution 1

This will facilitate the issuance of financial statements in CD-ROM form or in such other form of electronic media, if deemed appropriate.

Statement Accompanying Notice of Forty-Third Annual General Meeting

- 1 Directors who are standing for re-election at the Forty-Third Annual General Meeting of the Company
Pursuant to Section 129(6) of the Companies Act, 1965:-
Tan Sri Kamarul Ariffin bin Mohd. Yassin

Pursuant to Article 94(a) of the Company's Articles of Association:-

- (i) Dato' Dr. Mhd. Nordin bin Mohd. Nor
- (ii) Mr. Foo Swee Leng

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 12 to 13 of the Annual Report.

- 2 Details of attendance of Directors at Board meetings
There were four Board meetings held during the financial year ended 31 December 2005. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 12 to 13 of the Annual Report.
- 3 Place, Date and Time of the Forty-Third Annual General Meeting
Place : Hotel Armada
Lorong Utara C, Section 52
46200 Petaling Jaya
Selangor Darul Ehsan
Date & Time : Tuesday, 23 May 2006 at 10.00 a.m.



NOTICE OF NOMINATION

Frint Beheer IV
Blankenstein 142
7943 PE Meppel
The Netherlands

2 March 2006

The Board of Directors
Dutch Lady Milk Industries Berhad
13 Jalan Semangat
46200 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS DELOITTE & TOUCHE (AF: 0834) AS AUDITORS

I, being a registered holder of shares of Dutch Lady Milk Industries Berhad, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Deloitte & Touche (AF: 0834) as Auditors of the Company in place of the retiring auditors at the forthcoming Annual General Meeting of the Company and of my intention to propose the following resolution as an ordinary resolution:-

"THAT Messrs Deloitte & Touche (AF: 0834) be and is hereby appointed Auditors of the Company in place of the retiring auditors, Messrs Ernst & Young to hold office until the conclusion of the next Annual General Meeting and that the directors be authorised to determine their remuneration."

Yours faithfully,

Frint Beheer IV

Board of Directors	Directors Cornelis H.M.Ruijgrok Managing Director	Freek Rijna Non-IndependentNon-Executive Director	Boey Tak Kong Independent Non-Executive Director
Chairman Tan Sri Kamarul Ariffin bin Mohd. Yassin Independent Non-Executive Director	Dato’ Dr. Mhd. Nordin bin Mohd. Nor Non-IndependentNon-Executive Director	Foo Swee Leng Independent Non-Executive Director	Joint-Secretary Huang Shi Chin (MIA 3891)
		Huang Shi Chin Executive Director	Chin Ngeok Mui (MAICSA 7003178)
Audit Committee	Chairman Tan Sri Kamarul Ariffin bin Mohd. Yassin	Members Boey Tak Kong Cornelis H.M. Ruijgrok Foo Swee Leng	
Remuneration Committee	Chairman Dato’ Dr. Mhd. Nordin bin Mohd. Nor	Members Foo Swee Leng Cornelis H.M. Ruijgrok	
Nomination Committee	Chairman Tan Sri Kamarul Ariffin bin Mohd. Yassin	Members Foo Swee Leng Boey Tak Kong	
Registered Office	13, Jalan Semangat 46200 Petaling Jaya Selangor Darul Ehsan Telephone : 03-7956 7477 Facsimile : 03-7954 6301		
Registrar	Symphony Share Registrars Sdn Bhd Level 26, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone : 03-2721 2222 Facsimile : 03-2721 2530		
Website	www.dutchlady.com.my		
Stock Exchange Listing	Main Board of Bursa Malaysia Securities Berhad		
Auditors	Ernst & Young Level 23A Menara Milenium Jalan Damanlela 50490 Kuala Lumpur		
Principal Bankers	Bumiputra Commerce Bank Berhad 6, Jalan 14/14 46100 Petaling Jaya Selangor Darul Ehsan	Public Bank Berhad 12, Jalan 14/14 46100 Petaling Jaya Selangor Darul Ehsan	Malayan Banking Berhad 18A, Jalan 14/14 46100 Petaling Jaya Selangor Darul Ehsan
Solicitors	Khaw & Partners 6th Floor, Menara Boustead Jalan Raja Chulan 50200 Kuala Lumpur	Oh Seng Dee & Co. No. 11, 3rd Floor Jalan 19/29 46300 Petaling Jaya Selangor Darul Ehsan	H.K. Teh & Associates No. 5, Mezzanine & 1st Floor Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan

On behalf of the Board of Directors, I have pleasure in presenting the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2005.

The Company had a very good year in 2005. Strong consumer demand for the Company's products and effective marketing programmes resulted in a 9% growth in turnover from RM420.5 million in the previous year to RM459.1 million.

In addition, several new products were introduced during the year, namely Dutch Lady Iced Latte in slim cans, Dutch Lady 456 in liquid UHT and Banana flavour UHT in 250ml packaging.

In operations, the Company's efforts were recognised when we won the National Productivity award. Customer Centric programmes as well as the use of IT in sales were all part of a continuous plan to improve the overall business.

As a result of the increased turnover, coupled with substantial increases in productivity and efficiency, the Company's operating profit in 2005 rose from RM26.8 million in 2004 to RM37.7 million in 2005.

Prospects for 2006 are challenging. World dairy raw material prices remain high but the Company will continue to invest to protect and expand its market share. With exciting new product and packaging launches in 2006, the Company is optimistic that it can grow the business.

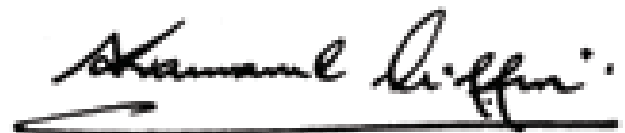
2005 was also a record year in terms of dividend payments to shareholders. A total of RM40.4 million was paid, representing a gross 86.25 sen per share, in the form of final, interim and special dividends.



Whilst your Directors are committed to reward its shareholders where the Company is in the position to do so, it cannot guarantee that these levels of dividend payments can be sustained in the future as much depends on its operational needs. The priority for the Company is to strengthen its leading position in the dairy market.

For this reason, the Company is maintaining the final dividend of gross 6.25 sen, less income tax, and 3.75 sen tax exempt, per RM1.00 ordinary share, in respect of the financial year ended 31 December 2005, to be paid in June 2006.

On behalf of the Board, I would like to convey our sincere thanks to the Management and Staff of the Company for their sterling effort in 2005 and to wish them even greater success in the current year.



TAN SRI KAMARUL ARIFFIN
BIN MOHD. YASSIN
Chairman

The Board of Directors is pleased to report to shareholders the manner in which the Company has applied the principles and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance (the Code) pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad (the Listing Requirements).

The Company will continually review its corporate governance principles and practices in its effort to achieve a higher standard of governance in the Company.

1 The Board of Directors

1.1 Composition

The Board comprises seven directors; two of whom are non-independent non-executive directors, three are independent non-executive directors and two Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements. The Board is required under Paragraph 15.02 of the Listing Requirements to ensure that it has one-third independent directors.

The Board has identified its senior Independent and Non-Executive Chairman, Tan Sri Kamarul Ariffin bin Mohd. Yassin, to whom concerns of shareholders, Management and others may be conveyed.

Duties and Responsibilities

The Company is led by an experienced Board under a Chairman who is an Independent and Non-Executive director. The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities. Members of the Board are professionals from varied backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Company's business operations. The profiles of the members of the Board are set out in this Annual Report on pages 12 to 13.

The Board is ensured of a balanced view at all board deliberations largely due to the presence of its non-executive directors that form a majority in the Board.

More importantly, the Board has as members, independent non-executive directors who are independent from Management and major shareholders of the Company. The independent directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgement.

Together with the Managing Director who has an intimate knowledge of the Company's business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As part of its commitment, the Board supports the highest standards of corporate governance and the development of best practices for the Company.

The Board retains full and effective overall control of and responsibility for the Company. This includes the following six specific responsibilities in the discharge of its duties:

- reviewing and adopting a strategic plan for the Company.
- overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. The Board plays a supportive yet watchful role over the performance of Management.
- identifying principal risks to ensure the implementation of appropriate systems to manage these risks.
- establishing succession planning, including the appointment, training and fixing of compensation and where appropriate, replacement of senior management.
- maintaining shareholder and investor relations for the Company.
- reviewing the adequacy and the integrity of the Company's internal control systems and management systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

2 Board Meetings

The Board meets at least four times a year and has a formal schedule of matters reserved to it. Additional meetings are held as and when required. It meets within two months of the end of every quarter of the financial year, whereat the Company's financial statements and results are deliberated and considered. The Board and its Committees are supplied with sufficient information to enable them to discharge their duties. During these meetings, the Board also appraises business proposals, reviews the management or performance of the business and any other strategic issues that affect or may affect the Company's business.

During the financial year, the Board met four times; whereat it deliberated and considered a variety of matters including the Company's financial results, the business plan and direction of the Company. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass all aspects of the matters being considered which enable the Board to look at both the quantitative and qualitative factors so that informed decisions are made.

Directors have access to information within the Company and to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. The Directors also have access to independent professional advice in furtherance of their duties.

The attendance of the Directors at the Board Meetings is set out in the Directors's Profile appearing on pages 12 and 13 of the Annual Report.

3 Re-Election of Directors

At least one-third of the Directors are required to retire by rotation each financial year in accordance with the Company's Articles of Association and can offer themselves for re-election at the Annual General Meeting.

Directors who are appointed by the Board to fill a casual vacancy during the year are subject to election by shareholders at the next Annual General Meeting following their appointment.

The Company's Articles of Association provide that the Managing Director is also subject to re-election by rotation once every three years.

4 Directors' Training

All members of the Board have successfully completed the Mandatory Accreditation Programme and accumulated the requisite Continuing Education Programme points for the years 2003 and 2004 as specified by Bursa Malaysia Securities Berhad.

Under the revised Bursa Malaysia Listing Requirements, the Board will assume the onus of determining or overseeing the training needs of their Directors from 2005 onwards. In addition to organising specific training programmes for its Directors annually, Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors.

For the year under review, all the Directors except for Mr. Freek Rijna, attended a training programme that covered various topics including Managerial Accountability, Corporate Governance and the Media, Enhancing Shareholder Value and Updates on recent legislations and regulations.

In addition, the Executive Directors and Mr. Freek Rijna attended training courses on Operational Management and on Long Term Planning Methodology.

5 Directors' Remuneration

Non-executive directors are paid an attendance allowance for each Board or Committee Meeting that they attend. Directors' fees are paid to non-executive directors and these are approved by shareholders at the Annual General Meeting. The Executive Directors are not paid an attendance allowance nor directors' fees.

The Company has adopted the objectives as recommended by the Malaysian Code on Corporate Governance to determine the remuneration of Directors so as to ensure that the Company attracts and retains the Directors needed to run the Company successfully.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2005 are as follows:

Executive Directors	RM 984, 000
Non-Executive Directors	RM 114, 000

The number of Directors whose total remuneration falls within the following bands are as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM300,001 to RM350,000	1	-
RM600,001 to RM650,000	1	-

6 Board Committees

As appropriate, the Board has delegated certain responsibilities to Board Committees that operate within clearly defined terms of reference. These Committees are:

6.1 Audit Committee

The Company's Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:-

- provides a means for review of the Company's processes for producing financial data, its internal controls and independence of the Company's External and Internal Auditors.
- reinforces the independence of the Company's External Auditors.
- reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee comprises four directors (three of whom, including the Chairman, are independent non-executive directors). The members of the Committee are:

1. Tan Sri Kamarul Ariffin bin Mohd. Yassin
(Independent Non-Executive Director)-Chairman
2. Mr. Boey Tak Kong
(Independent Non-Executive Director)
3. Mr. Cornelis H.M. Ruijgrok
(Executive Director)
4. Mr. Foo Swee Leng
(Independent Non-Executive Director)

The Committee's terms of reference include the review of and deliberation on the Company's financial statements, the audit findings of the External Auditors arising from their audit of the Company's Financial Statements and the audit findings and issues raised by the Internal Auditors together with Management's responses thereon. The Director of Finance, Internal Auditors and External Auditors attend meetings at the invitation of the Audit Committee.

The Committee also reviews the Company's Quarterly unaudited statements and final audited (twelve months) Financial Statements before they are considered, deliberated and approved by the Board as well as related party transactions and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year pursuant to Paragraph 15.16 of the Listing Requirements is contained on pages 14 to 15 of this Annual Report.

6.2 Nomination Committee

The Committee comprises three directors, all of whom are independent non-executive directors. The members of the Committee are:

1. Tan Sri Kamarul Ariffin bin Mohd. Yassin
(Independent Non-Executive Director)-Chairman
2. Mr. Boey Tak Kong
(Independent Non-Executive Director)
3. Mr. Foo Swee Leng
(Independent Non-Executive Director)

The Committee's responsibility among others, is to propose or review new nominees for the Board and Board Committees, to assess the effectiveness of Board as a whole, examine its size with a view to determine the impact of its number upon its effectiveness, the Committees of the Board and the individual directors on an on-going basis, and to annually review the required skills and core competencies of non-executive directors. The Committee also ensures that an orientation and education programme is in place for new Board members.

6.3 Remuneration Committee

The Committee comprises three directors, two of whom are non-executive directors. The members of the Committee are:

1. Dato' Dr. Mhd. Nordin bin Mohd. Nor
(Non-Independent Non-Executive Director)
- Chairman
2. Mr. Foo Swee Leng
(Independent Non-Executive Director)
3. Mr. Cornelis H.M. Ruijgrok
(Executive Director)

The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors (executive and non-executive) in all its forms, drawing from outside advice if necessary. Nevertheless, the determination of remuneration packages of Directors is a matter for the Board as a whole and individuals are required to abstain from discussion of their own remuneration.

7 Accountability and Audit

7.1 Financial Reporting:

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance and prospects at the end of the financial year, primarily through the Financial Statements and the Chairman's Statement in the Annual Report.

7.2 Statement of Directors' Responsibility in respect of Audited Financial Statements pursuant to Paragraph 15.27(a) of the Listing Requirements.

Directors are required pursuant to Section 169(15) of the Companies Act, 1965 to state whether the Company's Financial Statements for the financial year are drawn up in accordance with approved accounting standards so as to give a true and fair view of the Company's state of affairs and of the results of the Company's business operations for the financial year.

In preparing the above Financial Statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the Financial Statements on an ongoing basis.

The Company's quarterly and annual results announcement are released to shareholders within the stipulated time frame to reinforce the Board's commitment to provide a true and fair view of the Company's operations.

7.3 Internal Audit

Deloitte Enterprise Risk Services Sdn Bhd carries out the Company's Internal Audit function.

They report to the Audit Committee. As such, the Company's internal audit function is independent of its activities and is performed with professionalism and impartiality.

During the year, the Internal Auditors had four meetings with the Audit Committee. They reported on the Company's system of internal and operational controls with focus on key areas of business risks.

The Internal Auditors' audit plan, nature and scope of the audit were agreed with the Audit Committee prior to the commencement of their audit. They reported on weaknesses in control procedures and made recommendations on areas for improvement.

They also reviewed the extent to which their recommendations have been implemented by the Company.

7.4 External Audit

The Company's independent External Auditors play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

The External Auditors have an obligation to bring any significant weaknesses in the Company's system of controls and compliance to the attention of Management, the Audit Committee and the Board.

8 Relations with Shareholders and Investors

The Company's Annual General Meeting (AGM) is the principal forum for dialogue with individual shareholders. It is a crucial mechanism in shareholder communication for the Company. At the Company's AGM, which is generally well attended, shareholders are encouraged to ask questions about the resolutions being proposed and on the Company's operations in general.

A press conference is held immediately after the AGM whereat the Chairman and the Managing Director advise members of the media of the resolutions passed, and answer questions on the Company's operations posed by the reporters. Members of the media are also invited to the Company's major product launches where clarifications are given on the products and the business in general. Briefings are also held with investment analysts upon request.

Announcements are made on a timely basis to Bursa Malaysia Securities Berhad and these are made electronically available to the public via Bursa Malaysia's internet website at <http://announcements.bursamalaysia.com.my>.

The Company's website, www.dutchlady.com.my provides corporate and financial information. It highlights news, events, products, as well as providing medical advice.





TAN SRI KAMARUL ARIFFIN BIN MOHD YASSIN



Aged 72. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 February 1976. Chairman of the Audit Committee and Nomination Committee. He is also a director of British American Tobacco (M) Berhad and Commission Member of the Malaysian Communication & Multimedia Commission. Formerly a Member of the Senate of the Malaysian Parliament. A lawyer by profession. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended three of the total four Board meetings held during the financial year.

MR. CORNELIS H.M. RUIJGROK



Aged 54. Dutch. Executive Director. Managing Director of the Company since 1 December 2002. Member of the Audit Committee and Remuneration Committee. A board member of the Malaysian Dutch Business Council. He holds a degree in Marketing from the Netherlands Institute of Marketing. He does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Koninklijke Friesland Foods NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.

MR. FOO SWEE LENG



Aged 60. Malaysian. Independent Non-Executive Director. Appointed to the Board on 18 June 1986. Member of the Audit Committee, Remuneration Committee and Nomination Committee. He was formerly the Managing Director of the Company and Regional Director of Friesland Asia Pacific. He holds a degree in Economics from University Malaya. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.

MR. BOEY TAK KONG

Aged 52. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Member of the Audit Committee and Nomination Committee. He is also a Director of RB Land Holdings Berhad, Sanbumi Holdings Berhad and Green Packet Berhad. Currently, he is the Managing Director of Terus Mesra Sdn Bhd, a management consulting and corporate advisory services company. A Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom and Chartered Accountant of the Malaysian Institute of Accountants. He does not have any family relationship with any director and / or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years and he does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.



MR. FREEK RIJNA

Aged 51. Dutch. Non-Independent Non-Executive Director. Appointed to the Board on 16 January 2002. Currently the Managing Director of Friesland Region Asia Pacific, a division of Koninklijke Friesland Foods NV. He holds a degree in Economics / Business Administration from Erasmus University, the Netherlands. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Koninklijke Friesland Foods NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended two of the total four Board Meetings held during the financial year.



DATO' DR. MHD. NORDIN BIN MOHD NOR

Aged 60. Malaysian. Non-Independent Non-Executive Director. Appointed to the Board on 6 August 2003. Chairman of the Remuneration Committee. He was formerly the Director-General of the Department of Veterinary Services, Malaysia. He is also the Chairman of the Malaysian Animal Welfare Foundation and Patron of the Malaysian Feline Society. He holds a degree in Veterinary Science from the University of Queensland, Australia. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.



MR. HUANG SHI CHIN

Aged 48. Malaysian. Executive Director. Appointed to the Board on 6 May 2004. He is currently the Company's Director of Finance and Joint Company Secretary. A Member of the Institute of Chartered Accountants (England & Wales) and a Chartered Accountant of the Malaysian Institute of Accountants. He does not have any family relationship with any director and / or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.



1 Membership and Meeting of the Committee

Members of the Audit Committee are:-

1. Tan Sri Kamarul Ariffin bin Mohd. Yassin
(Independent, Non-Executive Director)–Chairman
2. Mr. Boey Tak Kong
(Independent, Non-Executive Director)
3. Mr. Cornelis H.M. Ruijgrok
(Executive Director)
4. Mr. Foo Swee Leng
(Independent, Non-Executive Director)

Mr. Boey Tak Kong, being a member of the Malaysian Institute of Accountants, fulfills the requirement of paragraph 15.10(1) (c) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Audit Committee held four meetings during the financial year ended 31 December 2005. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended	Percentage of Attendance
Tan Sri Kamarul Ariffin bin Mohd. Yassin	3 out of 4	75%
Mr. Boey Tak Kong	4 out of 4	100%
Mr. Cornelis H.M. Ruijgrok	4 out of 4	100%
Mr. Foo Swee Leng	4 out of 4	100%

2 Role of the Audit Committee

An independent Audit Committee assists, supports and implements the Board's responsibility to oversee the Company's operations in the following manner:-

- provides a means for the review of the Company's processes for producing financial data, its internal controls and independence of the Company's External and Internal Auditors.
- reinforces the independence of the Company's External Auditors.
- reinforces the objectivity of the Company's Internal Audit function.

3 Terms of Reference

- **Composition**
The Committee comprises four Directors, a majority of whom is independent. The Chairman is an Independent Non-Executive Director. One member of the Committee is a professional accountant.
- **Quorum**
The quorum for the Meeting is three.
- **Agenda and Notice of Meeting**
The Company Secretary is responsible, with the concurrence of the Chairman, for preparing and circulating the Agenda and the Notice of Meeting, together with supporting explanatory documentation to members of the Committee prior to each meeting.
- **Attendance at Meeting**
The Director of Finance, Internal Auditors and External Auditors attend meetings by invitation of the Committee. Other Board Members have the right of attendance.
- **Frequency of Meetings**
Meetings are held not less than four times a year. The External Auditors may request a meeting if they consider that one is necessary.
- **Authority**
The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it deems necessary.
- **Duties**
The duties of the Committee are:
 - (a) To recommend to the Board the appointment of the External Auditors and fix their audit fee thereof.
 - (b) To make appropriate recommendations to the Board on matters of resignation or dismissal of the External Auditors.
 - (c) To discuss with the External Auditors their audit plan, the nature and scope of the audit, evaluation of the Company's system of internal controls and audit report on the annual Financial Statements.

- (d) To review the quarterly and annual Financial Statements of the Company before submission to the Board of Directors, focusing particularly on:
 - (i) public announcement of the results and dividend payment.
 - (ii) any changes in accounting policies and practice.
 - (iii) the going concern assumption.
 - (iv) compliance with approved accounting standards.
 - (v) compliance with stock exchange and legal requirements, and
 - (vi) significant and unusual events.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss.
- (f) To review the External Auditors' letter to Management and Management's response thereon.
- (g) To review the internal audit programme, ensure co-ordination between the Internal and External Auditors, ensure that the internal audit function is professionally managed, adequately resourced and given the necessary authority to carry out its work.
- (h) To consider the findings of internal audit and investigations and Management's response thereon.
- (i) To consider any related party transactions and conflict of interest situations that may arise within the Company.
- (j) To review the draft Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature before submission to the Board of Directors.
- (k) To consider the level of assistance given by the employees of the Company to the External and Internal Auditors, and
- (l) To consider any other topics, as requested by the Board.

● Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Detailed audit reports by the Internal Auditors and the respective Management response are circulated to members of the Committee before each Meeting at which the said reports are tabled.

4 Internal Audit Function

The Company's Internal Audit function is carried out by Deloitte Enterprise Risk Services Sdn Bhd, who is independent of the activities or operations of the Company. The Internal Auditors are empowered to audit the Company's business units, review the units' compliance with internal control procedures, highlight areas of weaknesses and make appropriate recommendations to the Company for improvements.

5 Summary of Audit Committee's Activities

The Audit Committee met at scheduled times during the year; with due notices of meetings issued, and with agendas planned and itemised so that matters were deliberated and discussed in a focused and detailed manner. The minutes of each meeting held were distributed to each member of the Board at the subsequent Board Meeting. The Audit Committee Chairman reported on each meeting to members of the Board.

The activities of the Audit Committee's during the financial year ended 31 December 2005 where as follows:

- (i) Reviewed the audit plan, nature and scope of the audit with the Internal and External Auditors;
- (ii) Discussed the findings and recommendations by the Internal and External Auditors on systems and control weaknesses, and ensured that corrective actions were taken by Management;
- (iii) Reviewed the compliance with accounting standards issued by the Malaysian Accounting Standards Board and ensured that the Company used appropriate accounting policies for its financial statements;
- (iv) Reviewed the Company's quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
- (v) Reviewed the Company's audited accounts for the year and audit report of the External Auditors on the financial statements and recommended the same to the Board for approval;
- (vi) Reviewed the related party transactions and any conflicts of interest situations during the year, and
- (vii) Reviewed the Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for approval.

Board's Responsibility

The Board has overall responsibility for the Company's system of internal controls, which includes the establishment of an appropriate control environment and framework, and reviews its effectiveness, adequacy and integrity. The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate course of action to manage those risks. The Company continually evaluates and manages risks and regularly reviews the planned actions.

The Board maintains full control over strategic, financial, organisational and compliance issues and has put in place an organisation with formal lines of responsibility and delegation of authority. The Board and Audit Committee have delegated to executive management the implementation of the system of internal controls within an established framework throughout the Company.

Internal Control Structure and Processes

The system of internal controls is designed to safeguard the assets of the Company, to ensure the maintenance of proper accounting records and to provide reliable financial information for use within the business and for publication. However, these controls provide only reasonable and not absolute assurance against material error, misstatement, loss or breach of set regulations.

The principal features of the Company's internal control structure are summarised as follows:

- **Board Committees**

There is a clear definition to the functions and responsibilities of the various committees of the Board of Directors. These include the Audit Committee, the Nomination Committee and the Remuneration Committee.

- **Organisational structure and responsibility levels**

The Company has a well-defined organisational structure with clear lines of accountability and has strict authorisation, approval and control procedures within which senior management operates.

- **Authority levels, acquisitions and disposals**

There are clear definitions of authorisation procedures and delegated authority levels for major tenders, major capital expenditure projects, acquisitions and disposals of businesses and other significant transactions.

Investment decisions are delegated to executive management in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions.

Authority of the Directors is required for key treasury matters including changes to equity and loan financing, cheque signatories and the opening of bank accounts.

- **Procedures and control environment**

Control procedures and environment at Company and individual business unit levels and on staff policies have been established. The integrity and competence of personnel are ensured through high recruitment standards, the Hay Reward Management System, a comprehensive Performance Management System and employee development programme.

The Company also publishes and distributes to every employee guidelines on safety, health and environment.

- **Standards of business ethics**

Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

In line with this, the Company has adopted the Group's Corporate Citizenship framework, Code of Conduct and Whistle-Blowing Procedures.

- **Formalised strategic planning and operating plan processes**

The Company undertakes a comprehensive business planning and budgeting process each year, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

- **Reporting and review**

The Company's management team regularly monitors the monthly reporting and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated on a regular basis to employees.

The Managing Director also regularly reports to the Directors on significant changes in the business and the external environment in which the Company operates.

- **Financial performance**

The preparation of quarterly and full year financial results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year Financial Statements are also audited by External Auditors.

- **Internal compliance**

The Board, Audit Committee and Management regularly review the internal audit reports and monitor the status of the implementation of corrective actions to address internal control weaknesses noted.

- **Update on developments**

Regular reporting is made to the Board at its meetings of legal, accounting and environmental developments.

The outsourced Internal Audit function independently focuses on the key areas of business risk based on a work programme agreed annually with the Audit Committee, and reports on the systems of financial and operational controls on a quarterly basis to the Audit Committee.

The Internal Audit team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The extent of compliance is reported to the Audit Committee on a regular basis. The Audit Committee in turn reviews the effectiveness of the system of internal controls in operation and reports the results thereon to the Board.

In addition to internal controls, the Directors have ensured that safety and health regulations, environmental controls and political risks have been considered and complied with. The quality of the Company's products is paramount. Quality Assurance and Quality Control are prime considerations and in line with this, compliance to the procedures outlined for the ISO 9001 (Year 2000 version) accreditation is strictly adhered to, via regular internal and external quality audits. Strong emphasis is also given to food safety with the implementation of the HACCP (Hazard Analysis Critical Control Point) System progressively to cover all plants by end 2006.

Conclusion

The Directors have reviewed the effectiveness, adequacy and integrity of the system of internal controls in operation during the financial year through the monitoring process set out above.

There were neither material internal control failings nor significant problems that had arisen during the financial year.